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COMMENTS ON THE WORK INCENTIVES PROGRAM FOR  
FAMILY BENEFITS RECIPIENTS ANNOUNCED  
BY MINISTRY OF COMMUNITY AND SOCIAL SERVICES,  
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Prepared by:

Ontario Status of Women Council

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## Overview

The recent creation of a work incentive program for sole support mothers on Family Benefits Allowance (FBA) represents an important and positive step taken by the government towards recognizing women's right to work if they so choose. As such, it can be considered an employment strategy for women.

In developing this program, the Ministry of Community and Social Services hopes to encourage and facilitate the entry of FBA mothers into the full-time labour force through a graduated monthly non-taxable allowance ranging from \$100.00 to \$150.00 according to family size, including drug, dental and health benefits and extending over a two year period.

However, the following major problems still exist for sole-support mothers on FBA:

1. Daycare facilities are still inadequate, and financially inaccessible to many women.
2. There is a shortage of jobs.
3. Many FBA women do not have the educational background or job training to allow them to obtain well paid, higher status positions.
4. The new policy discourages part-time work.

Despite the good intentions of such a scheme, the consequences of this policy are likely to be:

1. Women will not be able to take advantage of the work incentives program without daycare provisions for their children.
2. Without job counselling and retraining, most women will not be able to get jobs.



3. There are high levels of unemployment in the occupational categories that FBA women would likely occupy.
4. Fewer women will have the option of working part-time.







### Statistics on FBA Recipients

There are currently about 48,000 women on FBA who have approximately 95,000 children (June 1979). Some 42% (43,000) of these children are of preschool age. Currently there are 7,000 women on FBA who work part-time. If a majority of these women were to take full-time jobs under the new work incentive benefits program, an estimated demand for 7,000 daycare places would be created.

According to information provided by Community and Social Services, the average level of education of women on FBA is about grade nine schooling. A survey conducted in 1971 indicated that many women had only a grade eight education. Overall, an insignificant fraction of the women on FBA possess community college or university training. Having on average a lower level of education than the average Canadian worker, these women are more likely to be relegated to the low paying, low status job ghettos.

In the past, the Community and Social Services Mother's Project, which was aimed at highly motivated FBA mothers, was established to assist FBA clients to obtain full-time employment. The women who received jobs in this way have, on the whole, been placed into low paying secretarial positions.

Statistics on FEA Recipients

There are currently about 48,000 women on FEA who have approximately 95,000 children (June 1979). Some 422 (43,000) of these children are of preschool age. Currently there are 7,000 women on FEA who work part-time. If a majority of these women were to take full-time jobs under the new work incentive benefits program, an estimated demand for 7,000 day-care places would be created.

According to information provided by Community and Social

Services, the average level of education of women on FEA is about grade nine schooling. A survey conducted in 1977 indicated that many women had only a grade eight education. Overall, an insufficient fraction of women have the education level necessary to obtain full-time employment. In the past, the Community and Social Services Board's Project, which was aimed at highly motivated FEA mothers, was established to assist FEA clients to obtain full-time employment. The women who received jobs in this way have, on the whole, been placed into low paying secretarial positions.



### Operation of the Incentive Program

Any woman who is currently or will be at some future date receiving FBA, is eligible for the two year work incentive program. The monthly non-taxable cash incentive is geared to family size. A woman with one child will receive \$100.00, a woman with two children \$130.00, a woman with three or more children will receive \$150.00 per month. However, any woman on the program who earns more than \$7,000.00 per annum will have her work incentive benefits reduced by 50 cents on each dollar above this amount to a maximum annual earnings ceiling of \$9,396.00 to \$10,596.00, depending on her family size.

A woman with two children can earn no more than \$4.86 per hour for a forty hour work week (\$843.00 per month or \$10,120.00 per annum) in order to remain eligible. A woman with three or more children can earn no more than \$5.11 per hour (\$883.00 per month or \$10,600. per annum). As the average family size for women on FBA is 2.3 children per family, most sole-support mothers wishing to obtain a full-time job on this program would fit into one of these two categories.

The income a mother with two children would receive if she was being paid the \$3.00 per hour minimum wage for a 40 hour week<sup>1</sup> would be \$6,240.00 plus a \$1,560.00 work incentive totalling \$7,800.00 per annum. In addition, hospital, drug and dental services would be covered. If health benefits were valued at \$75.00 per month or \$900.00 per annum, (Metro Social Planning Council, Budget Guideline for Single Parents), and family allowance plus child tax credit valued at \$880.00 per annum, the total income of women with two children would be \$9,580.00, which is slightly above the Statistics Canada poverty line of \$9,000.00 per annum for a family of three.

The new ComSoc policy has also incorporated an increased security provision for sole-support mothers on FBA. Should a woman

<sup>1</sup> According to a ComSoc spokesperson, women leaving FBA for full-time jobs end to work 35 hours per week.





decide that she is, in ComSoc terms, "unable to make a go of it" on the work incentive benefits program, either for economic, family or personal reasons, she can quit her job and will then receive top priority in re-applying for FBA. Thus, she will not have to go through the normal two month waiting period while her eligibility is re-established.

More recently the phrase "circumstances beyond her control" has been clearly defined using the recommendations of the Family Benefits Work Group brief on the Work Incentives program. These circumstances will include:

- (1) Both the mother's health and the health of her family,;
- (2) If in the woman's judgement her family's well-being is suffering;
- (3) Unavailability of daycare developing after starting work; or
- (4) Unsuitability of the job.

Under these terms, a woman can still get back on FBA immediately following two years on the program. However, if she attempts to continue with an independent financial existence and two months later finds she can not make ends meet, she will likely have to re-apply for FBA through the regular channels. A ComSoc spokesperson was careful to point out that this situation had not been considered at the time of the policy's implementation. In general, a woman who returns from the work incentive benefits program to FBA can still be re-eligible for the program should she again wish to work full-time.

Finally, ComSoc has not dismissed the notion of extending the work benefits program to individual women on the program beyond the defined two year period. Approval for exemption from termination must be sought from the Director of Income Maintenance and will be approved under 'certain circumstances' not as yet defined. The likelihood of granting extensions will also depend upon the rate of uptake of clients into FBA over the next two years. Women would still have access to their Family Benefits fieldworker, should they wish to seek advice from them.





### Part-Time Workers

In the past, women on FBA were entitled to work for a maximum of 120 hours per month with the stipulation that any earnings above the \$115.00 exemption allowed (\$15.00 for work expenses<sup>2</sup>, \$100.00 automatically exempted) were to be taxed back at a 75% rate of return. That is, a woman could only keep 25¢ on every dollar she earned over \$115.00. Under the policy, a woman with two children who was eligible for \$431.00 per month from FBA was able to boost her income to a maximum earnings ceiling of \$690.00 per month or \$7,150.00 annually.

With the recent changes in policy regarding part-time work while remaining on FBA, women will have the same \$115.00 exemption on earnings and a new 50% rate of return to a maximum earnings ceiling of \$100.00 above the \$115.00 exemption mark. Although a woman with part-time earnings will be able to retain \$25.00 more on her first \$100.00 of non-exempt earnings, any additional earnings will require the woman to return one dollar of her allowance for every additional dollar she earns.

To cite one example, let us take the case of a woman working the maximum monthly 120 hours at a wage of \$3.00 per hour. Under the old policy, the woman was able to add \$206.00 to her monthly income of \$431.00 on FBA giving her a total income of \$637.00 per month. Under the new FBA policy, this same woman would only be able to increase her monthly income by \$170.00 giving her a total income of \$601.00 per month. On an annual basis, this reduction in earnings would be \$440.00 (the difference between an annual income of \$7,640.00 under the former scheme and an income of \$7,200.00 per annum under the new policy).

<sup>2</sup> Work expenses vary between \$15.00 per month for a woman with one child to \$25.00 per month for a woman with three or more children.





The lowered ceiling on part-time earnings applies only to new FBA recipients. The 7,000 women currently on FBA who have part-time jobs have been subsumed under a grandmother clause.

Thus, there appears to be a lesser incentive for women who stay on FBA to maintain part-time jobs to supplement their incomes as the maximum earnings ceiling has effectively been lowered. Women now applying for FBA may well be unable to afford to take part-time work. The impact of this measure will be to restrict the possibility of sole-support mothers wishing to enter the labour force to do so by the gradual acquiry of financial independence through part-time work into regular full-time work. The consequence of this disincentive to take part-time work may in fact be to make it more difficult for future FBA recipients to join the full-time work force without recent work experience.

One further consideration must be kept in mind. Let us refer back to the case of a woman with two children who will receive an income of \$7,800.00 per annum if she works a 40 hour week at minimum wage and gains \$130.00 per month as a work incentive. One can compare this income to that of a woman with two children currently on FBA who works part-time. Under the grandmother clause, the woman in the second situation will still be able to have an income of \$7,150.00 per annum. Women would have to work only 18 hours per week in order to collect this maximum income. There is only a marginal difference in income between the former full-time work income and the latter. In this situation, a woman wishing to leave FBA and take advantage of the work incentive program would then be working at least twice as many hours per week for an 8% increase in her annual income. This \$700.00 increase in income



will clearly not compensate for the additional work and childcare expenses incurred by the woman working full-time.

ComSoc should raise the part-time exemption ceiling to a level that will allow women to choose the option of working part-time.





### Budgetary Costs and Availability of Childcare Services

Should the problem of job availability be put aside, the issue of childcare still remains one major barrier inhibiting sole-support mothers on FBA from taking advantage of the work incentive benefits program. In Metro Toronto there are approximately 15,000 daycare spaces, of which 7,284 are subsidized spaces (ComSoc statistics), and more than 118,000 children (Metro Social Planning Council 1977 estimate) who need some form of care. Should a large number of sole-support mothers wish to join the labour force, there would not be the childcare facilities to accommodate any significant proportion of their 43,000 pre-school aged children, nor the places to provide subsidized childcare to the low-income earners eligible for the work incentive allowance.

The Minister has stated that the work incentive benefits program was intended to help pay for daycare costs. However, without subsidization, the \$100.00 - \$150.00 work incentive benefits per month would not cover the childcare costs of one child which would average \$50.00 per week or approximately \$200.00 per month.

Social services officials in Peel Region have demonstrated that welfare costs can be cut in half by offering subsidized daycare services to welfare mothers. A pilot project to be launched this winter will have 185 new daycare spaces created and made available to 120 welfare mothers through ComSoc funding. It is estimated the provision of subsidized daycare services will allow these women to obtain jobs and save the region over \$600,000.00 in welfare payments.

A needs test is used to determine eligibility for subsidized daycare. The needs test is divided into three sections. The first





### Availability of Jobs

One problem which has been overlooked by the ComSoc program is that unemployment amongst women and within the unskilled and traditionally female occupational sectors remains high. Only 26% of Ontario women with less than grade nine education worked in 1978. In July, 1979, the unemployment rate for Ontario women stood at 8.2%. In the services area there was 10.3% unemployment amongst women, in the clerical jobs category 6.9%, in sales 5.9%, in processing 13.9%, in product fabricating 9.2%, and in materials handling 14.1%.

Given that most of the women on FBA have a low level of education, the vast majority of those who obtain full-time jobs are likely to be located within the low paying, low status occupational sectors. Thus, women currently on FBA, will not necessarily be able to find unskilled full-time jobs and hence, may be unable to take advantage of the work incentive program.

ComSoc should ensure that women leaving the program have access to job counselling and retraining programs, with emphasis on non-traditional jobs.



section lists a family's net monthly income from all sources after pension plan costs, unemployment insurance premiums, union dues and income tax have been deducted. The second section calculates the ordinary needs within the family's budget including the costs of rent/mortgage, food, clothing, transportation, loan payments, medical and dental services, on a monthly basis. In the final section, the family's available monthly income is determined by subtracting the total value of the family's ordinary needs from its net income. This available income is then put into paying for daycare costs. In performing this calculation, 25% of the family's earnings are exempted from the total income figure and 20% is added to the total family budget. However, government transfer payments are not considered as family earnings and are therefore not given a 25% exemption.

The Director of Purchased Daycare Services for Metro Toronto stated that no consideration had been given to the status of the recently implemented cash incentive allowance although he hypothesized that it would likely be categorized in a similar fashion as other government transfer payments. Should the work incentive benefits allowance not be considered as part of a woman's earnings, a sole-support mother only eligible for a partial subsidy would be expected to contribute more towards the costs of childcare. The Director did express the view that any woman whose total income was under \$8,000.00 would be eligible for full daycare subsidy. This would certainly mean that women at \$3.00 per hour jobs who receive the work incentive benefits would remain eligible for full daycare subsidy.

ComSoc should ~~initiate~~ discussions with municipalities to ensure that the work incentive allowance is not considered as income





for purposes of calculating the rate of subsidization for childcare on Form 7.

ComSoc should provide assistance and counselling to enable each woman wishing to leave the program to locate the necessary number of adequate, and if necessary subsidized, daycare space for their children.

